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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)  
et al., :  
:  
Debtors. : Jointly Administered  
- - - - - x

ORDER PURSUANT TO BANKRUPTCY CODE SECTIONS 105,  
362(d)(1), AND 365(a), FEDERAL BANKRUPTCY RULES 4001 and  
6006, AND LOCAL BANKRUPTCY RULE 4001 (I) AUTHORIZING  
REJECTION OF SURETY BONDS, (II) MODIFYING THE AUTOMATIC  
STAY FOR THE LIMITED PURPOSE OF ALLOWING SAFECO  
INSURANCE COMPANY OF AMERICA TO COMMENCE CANCELLATION OF  
SURETY BONDS, (III) ESTABLISHING SURETY BOND CLAIM  
DEADLINE AND (IV) GRANTING RELATED RELIEF

Upon the motion (the "Motion")<sup>1</sup> of the Debtors for entry of an order, pursuant to sections 105, 362(d)(1), and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 4001 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 4001 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Eastern District of Virginia (the "Local Rule") for entry of an order (I) authorizing rejection of the Debtors' Surety Bonds, (II) modifying the automatic stay for the limited purpose of allowing Safeco to commence cancellation of Surety Bonds, (III) establishing a Surety Bond Claim Deadline and (IV) granting related relief; and the Court having reviewed the Motion; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due

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<sup>1</sup> Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Motion.

deliberation thereon; and good and sufficient cause  
appearing therefor, it is hereby

**ORDERED, ADJUDGED, AND DECREED that:**

1. The Motion is GRANTED.
2. The Surety Bonds are hereby rejected  
pursuant to 11 U.S.C. §§ 105(a) and 365(a) of the  
Bankruptcy Code.
3. The automatic stay imposed pursuant to  
section 362 of the Bankruptcy Code is modified to the  
extent necessary to permit the Debtors and Safeco,  
jointly or in their individual capacities, to commence  
cancellation of the Debtors' outstanding Surety Bonds.
4. The Debtors are hereby authorized to take  
all actions reasonably necessary to cancel the Surety  
Bonds without further Court order.
5. In the event Safeco determines that it  
will take the necessary or appropriate actions to cancel  
any Surety Bond(s):

(a) Safeco shall provide written notice  
to the Debtors, through the Debtors' counsel, of  
Safeco's intent to take the necessary and  
appropriate actions to cancel one or more  
specifically named Surety Bonds, and shall attach a  
copy of each specifically named Surety Bond to its  
notice;

(b) Within ten (10) business days after the date of receipt of the notice, the Debtors may provide Safeco with their written consent with respect to any Surety Bond(s) that Safeco seeks to cancel. The Debtors' failure to respond within ten (10) business days of receipt of Safeco's written notice shall be deemed to be the Debtors' written objection, in which case Safeco shall not be permitted to take any further action without either the Debtors' subsequent written consent or pursuant to a subsequent court order; and,

(c) In the event the Debtors consent to Safeco's cancellation of any such Surety Bond(s), the Debtors shall file a Cancellation Notice, in substantially the form attached hereto as Exhibit 1, with this Court of Safeco's intent to cancel certain Surety Bonds and serve a copy of such Cancellation Notice on each of the Obligees as provided in each of the Surety Bonds or as required by statute or regulation and counsel to Safeco. The date set forth in the Cancellation Notice as the date the Surety Bond(s) will be deemed cancelled shall be known as the Cancellation Effective Date. The Cancellation Effective Date will occur sixty (60) days after the Cancellation Notice is filed with the Court. In the event a Surety Bond, by its terms, requires more than sixty (60) days notice before the cancellation will be effective, the last day of the term prescribed by the Surety Bond will be that Surety Bond's Cancellation Effective Date. As of the date the Cancellation Notice is filed, Safeco shall be authorized to take the immediate, necessary and appropriate actions to cancel any Surety Bond(s) subject to the Cancellation Notice.

6. The Cancellation Notice shall specifically set forth the Cancellation Effective Date and the Surety Bond Claim Deadline applicable to each

specifically named Surety Bond the Debtors seek to cancel.

7. Each Cancellation Notice will include as an exhibit thereto, a written notice from Safeco to the Surety Bond Obligee of Safeco's intent to cancel the Obligee's Surety Bond, which notice is deemed to be Safeco's written notice of Surety Bond cancellation as required under the terms of each Surety Bond.

8. Each Surety Bond Obligee must file a Surety Bond Claim with Safeco on account of any and all claims arising from or related to its cancelled Surety Bond no later than sixty (60) days after the applicable Cancellation Effective Date as provided for in the Cancellation Notice filed by the Debtors (each such date, a "Surety Bond Claim Deadline").

9. To be considered, each Surety Bond Claim must (a) be in writing, (b) be denominated in lawful United States Currency, (c) set forth with specificity the factual basis for the Surety Bond Claim, (d) have attached to it supporting documentation upon which the Obligee will rely to support the Surety Bond Claim, and (e) be received on or before the Sure Bond Claim

Deadline by Safeco Insurance Company of America, 1001  
4th Ave., Seattle, WA 98154 and, Circuit City Stores,  
Inc., Attn: Katie Bradshaw, 4951 Lake Brook Drive, Glen  
Allen, VA 23060; provided, further, that neither  
facsimile or email transmissions shall be valid or  
timely.

10. Any holder of a Surety Bond Claim that is  
eligible to file (but fails to file) a Surety Bond Claim  
in accordance with the procedures set forth herein on or  
before the applicable Surety Bond Claim Deadline (a)  
shall be forever barred, estopped, and enjoined from  
asserting any Surety Bond Claim against the Debtors and  
Safeco, and the Debtors and/or Safeco shall be forever  
discharged from any and all indebtedness or liability  
with respect to such Surety Bond Claim, and (b) shall  
not be permitted to receive payment from the Debtors or  
Safeco on account of the Surety Bond Claim or otherwise  
under the applicable Surety Bond.

11. Surety Bond Claims accruing prior to the  
Surety Bond's Cancellation Effective Date and filed with  
Safeco on or before the applicable Surety Bond Claim  
Deadline shall not be denied by or defended by the

Debtors or Safeco solely on the basis that the Surety Bond has been cancelled; provided, however, that any and all other defenses and rights the Debtors and Safeco may have with respect to such claims are expressly preserved.

12. Surety Bond Claims accruing after the Cancellation Effective Date shall be denied by or defended by the Debtors and Safeco based upon the cancellation of the Surety Bonds as of the Cancellation Effective Date; provided, however, that any and all other defenses and rights the Debtors and Safeco may have with respect to such claims are expressly preserved.

13. By no later than thirty (30) days after the expiration of each Surety Bond Claim Deadline, Safeco shall return to the Debtors (or their successor(s)) funds from the Safeco LC in an amount equal to the total penal sum of the Surety Bonds cancelled, less any Surety Bond Claims to be paid under the Surety Bonds.

14. The requirement under Local Rule 9013-1(G) of the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia to file a

memorandum of law in connection with the Motion is  
hereby waived.

15. This Court retains jurisdiction to hear  
and determine all matters arising from or related to  
implementation or interpretation of this Order.

Dated: Richmond, Virginia  
October \_\_, 2009

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UNITED STATES BANKRUPTCY JUDGE



WE ASK FOR THIS:

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/s/ Douglas M. Foley  
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Counsel to the Debtors  
and Debtors in Possession

**CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)**

Pursuant to Local Bankruptcy Rule 9022-1(C), I  
hereby certify that the foregoing proposed order has  
been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley  
Douglas M. Foley

**EXHIBIT 1**

**(Bond Cancellation Notice)**